NOMA

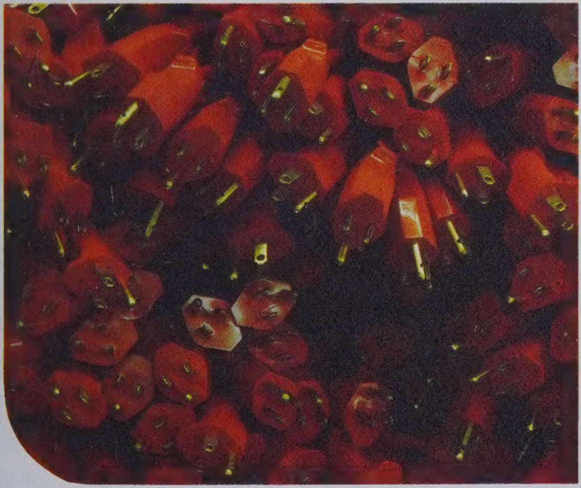
Noma Industries Limited
1973 Annual Report

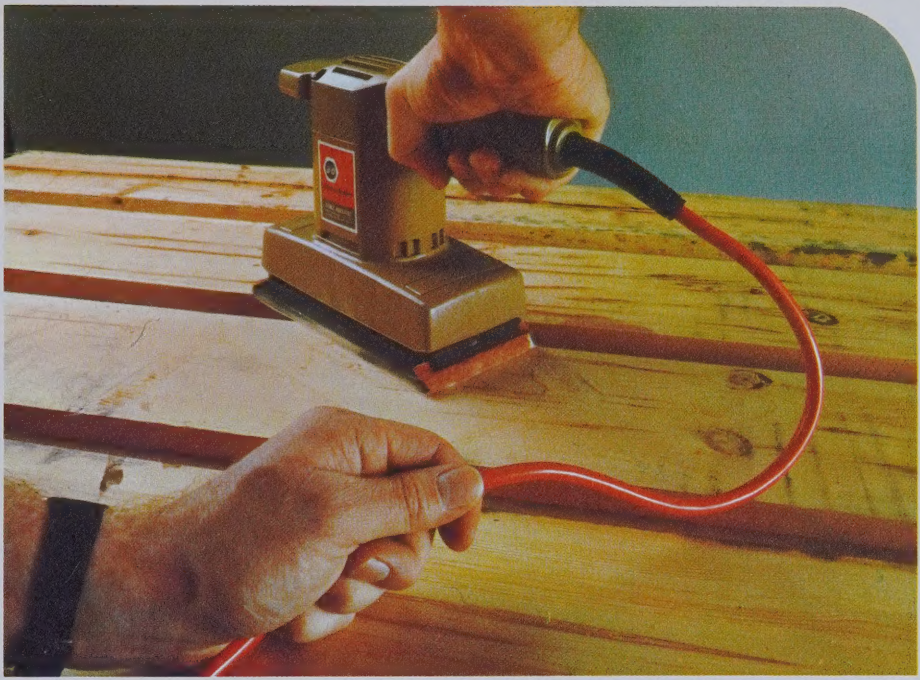
Noma Industries Limited, in addition to manufacturing its well-known line of Christmas lights and trees, and household electrical cords, supplies many leading manufacturers with electrical wire products for appliances and power tools.

Contents

NOMA INDUSTRIES LIMITED

Financial Highlights





	1973	1972
Sales	$18,172,000	$13,659,000
Earnings before extraordinary items	1,275,000	904,000
Net earnings	1,275,000	720,000
Shareholders' equity	6,587,000	5,396,000
Working capital	$ 2,869,000	$ 2,570,000
Shares outstanding	1,017,000	770,333
Earnings per share before extraordinary items	$1.25	$1.17
Net earnings per share	$1.25	$ .94

To our Shareholders

In 1973 your company continued to increase substantially its sales and earnings, as it has in recent years.

Financial Review

During the year, Noma successfully overcame several challenges to record further significant growth in sales and profits. Sales increased 33 percent to $18,172,000 while earnings before extraordinary items rose 41 percent to $1,275,000. The weighted average number of shares outstanding in 1973 was 1,017,000 as compared with 770,333 the previous year resulting in earnings of $1.25 per share compared with $1.17 per share a year earlier.

Dividend Policy

In 1973 the company initiated a dividend policy. The first semi-annual dividend of ten cents per share was paid on August 15, 1973, the second on February 15, 1974 establishing an annual rate of twenty cents per share.

Highlights of 1973

Sales increases were recorded in all divisions. Particularly notable was a continued strengthening in Noma Lites sales of household cords to retailers and cords and custom wiring devices to Original Equipment Manufacturers (O.E.M.) who produce a variety of electrically powered equipment and appliances.

Sales of seasonal products continued to grow but it is interesting to note that other products represented three-quarters of the total sales increase during the year. In Canada, non-Christmas products have increased from less than one-half of total sales in 1970 to about two-thirds in 1973, clearly indicating the changing direction of our business.

The company's Cable-Tech and Beck Electric divisions have secured positions of prominence as leading manufacturers of flexible electric wire products. Cable-Tech's sales of copper wire, in a wide range of sizes and types of insulation, continued to grow during the year. These sales were primarily to O.E.M. customers in the electrical and automotive industries. All of Beck Electric's production of electrical wiring harnesses, wire assembly units and sundry components were sold to outside manufacturers. The production facilities of this division were moved to new enlarged premises during the year.

To accommodate our continuing emphasis on products other than decorative lighting we made a conscious effort to increase our inventories. This enables us, in these days of product shortage, to ensure that we can maintain our reputation as a reliable supplier of the products we manufacture.

Recall Program

In 1972 some problems were encountered in our line of outdoor light string lamp sockets. This line was discontinued and a redesigned model was made available in 1973. The company embarked upon a concerted advertising program to recall the entire 1972 production of this item. This program and the action taken under it was highly successful and received a positive response from various authorities, business people and the public at large. The reserve set up in 1972 to cover the total costs of the recall has proven to be adequate.

Energy Crisis and the Future of Electricity

Wide spread publicity was given to the international energy crisis which arose during the year. While concern is undoubtedly justified with regard to world reserves of fossil fuels and the dislocation of historic crude oil supply patterns, there is no power crisis as far as supply of electricity is concerned in Canada and most parts of the U.S.A. As a symbol of the emphasis the U.S. government placed on conservation, use of outdoor decorative lights was discouraged in 1973. We do not anticipate that this will be repeated this year.

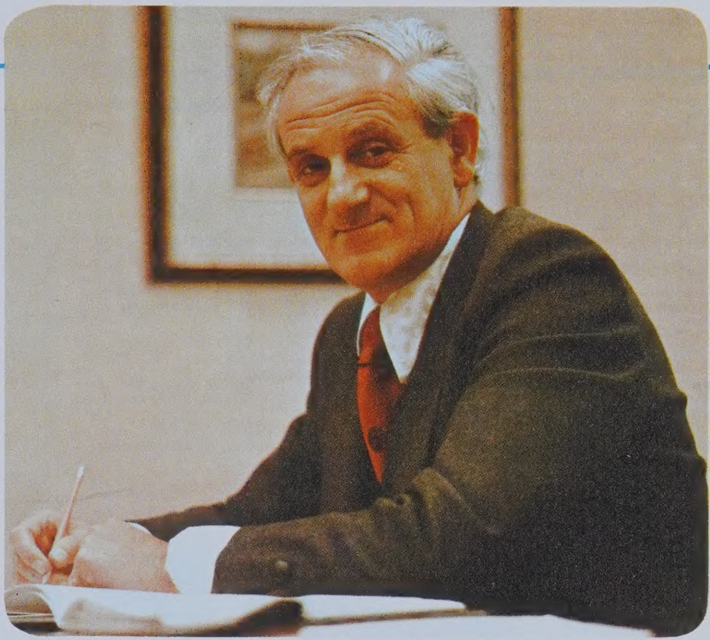
Here in Canada, the outlook for electricity is particularly positive with long term prospects perhaps better than ever. The shortage of other sources of energy will place greater emphasis on the development of hydro power supply sites and will lead to the wider use of electrical units such as baseboard and portable heaters, which will greatly increase the market for wire products.

Outlook

Sales and profits in the first quarter of 1974 demonstrate an accelerated growth. It is noteworthy that all of this increase was in products other than Christmas lighting.

To date, we have been able to acquire sufficient raw materials to meet our needs. We believe we will be able to obtain adequate supplies in the future.

Increased demand for Cable-Tech's range of products required an addition to this division's manufacturing facilities, which will be completed by mid-year. A wider selection of components will be available to O.E.M. customers from our Cable-Tech and Beck Electric divisions. In the U.S., our Beck Electric Manufacturing Inc. division is planning to diversify its activities this year into related products.



We are confident that our planned program of internal expansion in addition to entering new markets and introducing new lines will be effective in terms of its impact on both the short and long term future of our company. In addition, we also maintain a watchful eye for opportunities to expand by way of acquisition.

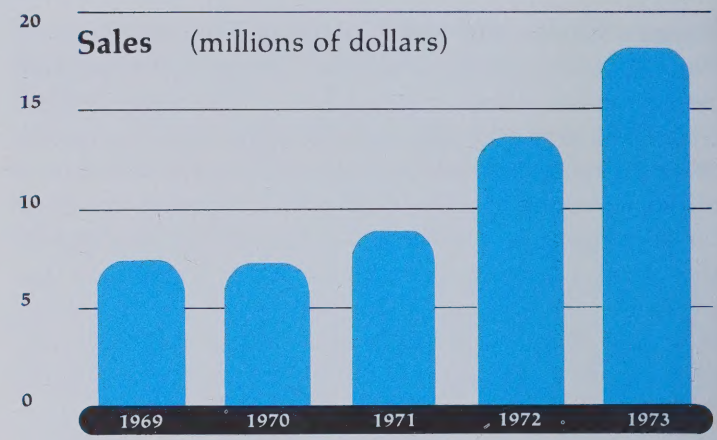
Acknowledgement

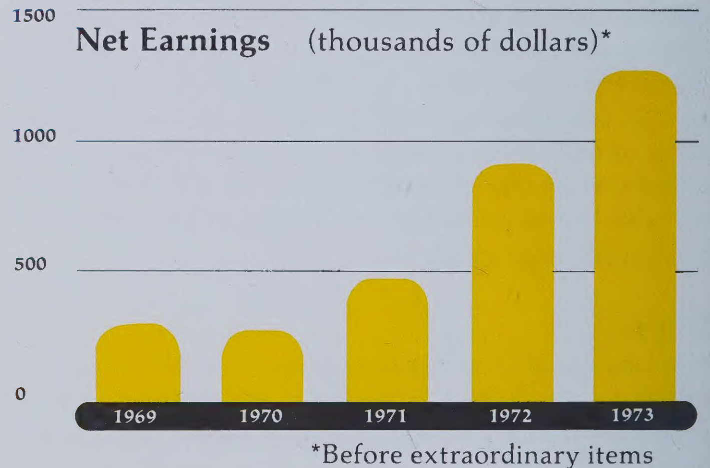
During 1973 the company increased its senior management strength. We welcome Mark Waldman as corporate treasurer and Ben Hoag as the general manager of Beck Electric.

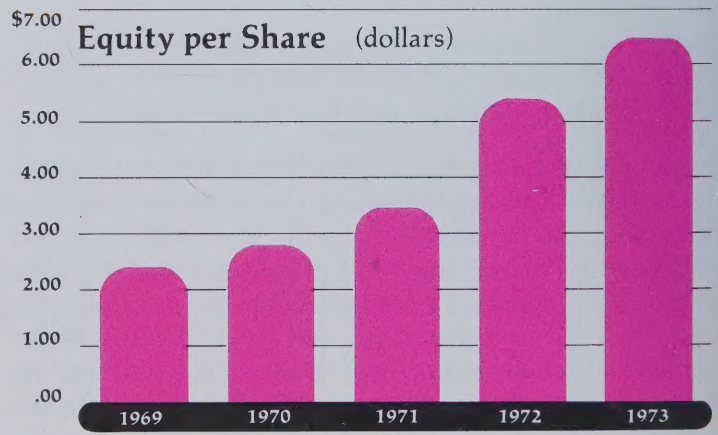
The reason our company has grown stronger over the years is due to the ability and dedication of all our employees. This was particularly true in 1973 and the directors extend their sincere appreciation.

H. Thomas Beck
President and Chief Executive Officer
April 18, 1974

Mark Waldman, treasurer, Rudy Koehler, executive vice-president, Siegfried Riemer, president of Cable-Tech Wire division and Tom Beck, president, discuss expansion of the Cable-Tech plant at Stouffville, Ont.







Consolidated Statement of Earnings

For the Year Ended December 25, 1973 (with comparative figures for 1972)

	1973	1972
Sales	**$18,171,529**	$13,658,952
Earnings before the undernoted charges	**3,307,878**	2,385,237
Interest (including $253,734; 1972—$112,126 on long-term debt)	**530,977**	267,730
Depreciation and amortization (Note 9)	**551,502**	338,428
Earnings before provision for income taxes, minority shareholders' interest (and extraordinary items in 1972)	**2,225,399**	1,779,079
Provision for income taxes (Note 10)	**923,571**	800,780
Minority shareholders' interest	**26,629**	74,514
Earnings before extraordinary items	**1,275,199**	903,785
Extraordinary items	**—**	183,800
Net earnings for the year	**$ 1,275,199**	$ 719,985
Earnings per share before extraordinary items (Note 11)	**$1.25**	$1.17
Earnings per share after extraordinary items (Note 11)	**$1.25**	$0.94

Consolidated Balance Sheet as at December 25, 1973 (with comparative figures for 1972)

Assets

	1973	1972
Current		
Cash	$ 148,796	$ 127,952
Advances to directors, officers and shareholders	35,552	19,010
Accounts and notes receivable	4,086,176	3,083,159
Income taxes recoverable	37,499	6,283
Inventories at the lower of cost and net realizable value	4,956,603	2,579,415
Sundry assets and prepaid expenses	278,980	104,688
	9,543,606	5,920,507
Property, plant and equipment and leasehold improvements (Note 2)	6,576,601	5,442,185
Patents at cost—less accumulated amortization (1973—$40,599; 1972—$34,717)	62,528	68,310
Deferred development costs—less accumulated amortization (Note 3)	199,154	142,010
Deferred financing and organization costs—less accumulated amortization	6,172	32,289
Excess of cost over net book value of subsidiaries at date of acquisition (Note 4)	328,842	328,842
	$16,716,903	$11,934,143

On behalf of the Board

H. Thomas Beck, Director

Rudolph A. Koehler, Director

Auditors' Report

The Shareholders,
Noma Industries Limited

We have examined the consolidated balance sheet of Noma Industries Limited and subsidiaries as at December 25, 1973 and the consolidated statements of earnings, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting

Liabilities

	1973	1972
Current		
Bank indebtedness (Note 5)	$ 4,351,481	$ 1,346,000
Loans from directors, officers and shareholders	—	463,326
Loans payable	—	15,486
Accounts payable and accrued liabilities	1,979,928	1,270,642
Current portion of long-term debt (Note 6)	343,618	254,700
	6,675,027	3,350,154
Deferred income taxes	689,424	395,196
Long-term debt (Note 6)	2,691,694	2,745,913
Minority interest in subsidiary	73,778	47,149
	10,129,923	6,538,412

Shareholders' Equity

	1973	1972
Capital stock (Note 7)	2,456,860	2,456,860
Surplus		
Contributed surplus (Note 8)	60,350	42,600
Retained earnings	4,069,770	2,896,271
	4,130,120	2,938,871
	6,586,980	5,395,731
	$16,716,903	$11,934,143

procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Noma Industries Limited and subsidiaries as at December 25, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 15, 1974

Touche, Ross & Co
Chartered Accountants

Consolidated Statement of Retained Earnings

For the Year Ended December 25, 1973
(with comparative figures for 1972)

	1973	1972
Balance at beginning of the year	$2,896,271	$2,422,286
Net earnings for the year	1,275,199	719,985
	4,171,470	3,142,271
Less		
Dividends paid on common shares (including tax paid ($30,000) on undistributed income in 1972)	101,700	200,000
Expenses of share issue net of related income taxes	—	46,000
Balance at end of the year	$4,069,770	$2,896,271

Consolidated Statement of Contributed Surplus

For the Year Ended December 25, 1973
(with comparative figures for 1972)

	1973	1972
Balance at beginning of the year	$ 42,600	$ 28,400
Forgiveness of loan (Note 8)	17,750	17,750
Minority shareholder's interest	—	3,550
Balance at end of the year	$ 60,350	$ 42,600

Consolidated Statement of Source and Application of Funds

For the Year Ended
December 25, 1973
(with comparative figures for 1972)

	1973	1972
Source of funds		
From operations		
Net earnings for the year	$1,275,199	$ 719,985
Amounts charged against earnings but not requiring an outlay of funds		
Depreciation and amortization	551,502	338,428
Deferred income taxes	294,228	159,860
Minority shareholders' interest in net earnings of subsidiary	26,629	74,514
Extraordinary item	—	26,000
	2,147,558	1,318,787
Proceeds of shares issued	—	2,454,800
Increase in long-term debt—net	—	1,642,863
Forgiveness of loan	17,750	17,750
	2,165,308	5,434,200
Application of funds		
Purchase of fixed assets—net of disposals	1,633,567	3,343,117
Patents and deferred development costs	77,596	1,179
Deferred financing and organization costs	—	20,927
Goodwill arising on the purchase of subsidiaries and minority interest	—	328,842
Redemption of preference shares of subsidiary	—	45,000
Acquisition of minority shareholders' interest	—	121,562
Expenses of share issue net of related income taxes	—	46,000
Dividends paid	101,700	200,000
Decrease in long-term debt—net	54,219	—
	1,867,082	4,106,627
Increase in working capital	298,226	1,327,573
Working capital at beginning of the year	2,570,353	1,242,780
Working capital at end of the year	$2,868,579	$2,570,353

Notes to Consolidated Financial Statements December 25, 1973

1. Principles of consolidation

(a) The consolidated financial statements include the accounts of the company and all its subsidiaries. Noel Lighting Limited, a wholly-owned subsidiary, has been inactive throughout the years covered by these statements and has no assets or liabilities. All significant inter-company transactions have been eliminated.

(b) The accounts of the U.S. subsidiary have been converted to Canadian dollars as follows:

Current assets and liabilities at rates prevailing at the balance sheet dates.

Non-current assets and liabilities at rates prevailing when acquired or incurred.

Income and expenses have been converted at average exchange rates applying throughout the financial year.

2. Property, plant and equipment and leasehold improvements

	1973	1972
Buildings, plant and equipment and leasehold improvements, at cost	$7,651,315	$6,101,973
Less accumulated depreciation and amortization	1,637,729	1,222,803
	6,013,586	4,879,170
Land, at cost	563,015	563,015
	$6,576,601	$5,442,185

Depreciation is provided on the straight-line method at rates intended to extinguish the cost of the assets over their estimated useful lives.

In prior years, depreciation on the buildings of Noma Realty Limited, a wholly-owned subsidiary, was provided on the declining balance method. The change to the straight-line method in 1973 does not have a significant effect on the consolidated results of operations.

3. Deferred development costs

Deducted from the deferred development costs is a contribution of $150,000 received in 1970 from the Department of Industry of Canada under the Program for the Advancement of Industrial Technology in connection with the development and acquisition of a prototype machine for a total cost of approximately $430,485. These costs are being amortized at the rate of 10% per annum on a straight-line basis. The contribution may be repayable in whole or in part if the prototype machine is sold or transferred to commercial use within a period of ten years.

4. Excess of cost over net book value of subsidiaries

Goodwill arising on acquisitions is carried in the accounts at cost.

5. Bank indebtedness

Bank indebtedness is secured by a general assignment of certain receivables and inventories.

6. Long-term debt

	1973	1972
Term bank loans		
Payable in Canadian funds (i)	$ 640,000	$ 320,000
Payable in U.S. funds (ii)	666,240	886,040
Total term bank loans	1,306,240	1,206,040
Mortgages on real property (iii)	1,622,572	1,670,323
Ontario Development Corporation (Note 8)	106,500	124,250
	3,035,312	3,000,613
Less current portion	343,618	254,700
	$2,691,694	$2,745,913

(i) Interest is payable at ¾ of 1% and at 1¼% above prime interest rate; the repayment terms are: $130,000 in 1974 and 1975, $180,000 in 1976, and $100,000 in 1977 and 1978; the security is a specific mortgage on certain machinery and equipment and a floating charge on all property and assets of a subsidiary company.

(ii) Interest is payable at ¾ of 1% above New York prime interest rate (maximum 9¾%); the repayment terms are: $166,400 in 1974, 1975 and 1976, $125,120 in 1977, and $41,920 in 1978. Under the terms of the loans, a subsidiary company is required to keep 20% of the outstanding loan balances in a security deposit account, without interest and loan balances and repayments have been reduced by the amount of the security deposit. The terms also require the postponement of claims of all indebtedness to the shareholders of the subsidiary company.

(iii) (a) $1,223,258 interest at 8¾% due December 1, 1993, repayable $131,076 per annum including principal and interest

(b) $300,893 interest at 9½% due September 1, 1991, repayable $34,788 per annum including principal and interest

(c) $98,421 interest at 8¾% due September 28, 1977 repayable $20,000 per annum including principal and interest with balance due September 28, 1977

The annual principal payments required in the next five years to meet the long-term debt obligations are:

1974	$343,618
1975	346,600
1976	401,100
1977	326,069
1978	189,620

7. Capital stock

Authorized	
2,000,000 common shares without par value	
Issued and fully paid	
1,017,000 common shares	$2,456,860

8. Contributed surplus

Pursuant to an agreement between Cable-Tech Wire Company Limited and the Ontario Development Corporation, that company received in 1969 the amount

of $177,500 interest free as a forgivable loan for the construction of new buildings and equipment. This loan is secured by a specific mortgage on certain machinery and equipment and a floating charge on other assets. One-tenth of the loan has been forgiven at the end of each of the first, second, third and fourth years following the date of the final advance, a further one-tenth will be forgiven at the end of the fifth year and the balance of the loan is to be forgiven at the end of the sixth year, provided the company has operated its business in a manner satisfactory to the Ontario Development Corporation and has continuously carried on the business of manufacturing wire and cable in Stouffville, Ontario.

9. Depreciation and amortization

	1973	1972
Depreciation	$471,950	$288,284
Amortization of		
Leasehold improvements	27,201	10,748
Organization expense	466	—
Deferred development costs	20,352	18,965
Patents	5,882	5,882
Deferred financing costs	25,651	14,549
	$551,502	$338,428

10. Provision for income taxes

The provision for income taxes has been reduced by approximately $48,000 in respect of an investment tax credit due to a U.S. subsidiary.

11. Earnings per share

Earnings per share have been calculated on the basis of the 1,017,000 common shares outstanding throughout the year.

In 1972, earnings per share were calculated on the basis of the weighted average number of shares outstanding during that year and after giving effect to the subdivision of issued shares.

12. Commitments and contingencies

(a) The total rentals paid for 1973 amounted to approximately $152,000 (1972—$105,000) under existing leases which are for various periods to 1993.

(b) Under a supplemental executive pension plan established January 31, 1968, the company is committed to make annual payments of approximately $3,350 over the next fifteen years in respect of past service pension contributions.

(c) There were letters of credit outstanding at December 25, 1973 of approximately $677,000.

(d) Outstanding purchase commitments for machinery and equipment at December 25, 1973 amounted to approximately $530,000. In addition, the company intends to expand the premises of one of its subsidiaries at an estimated cost of $1,000,000.

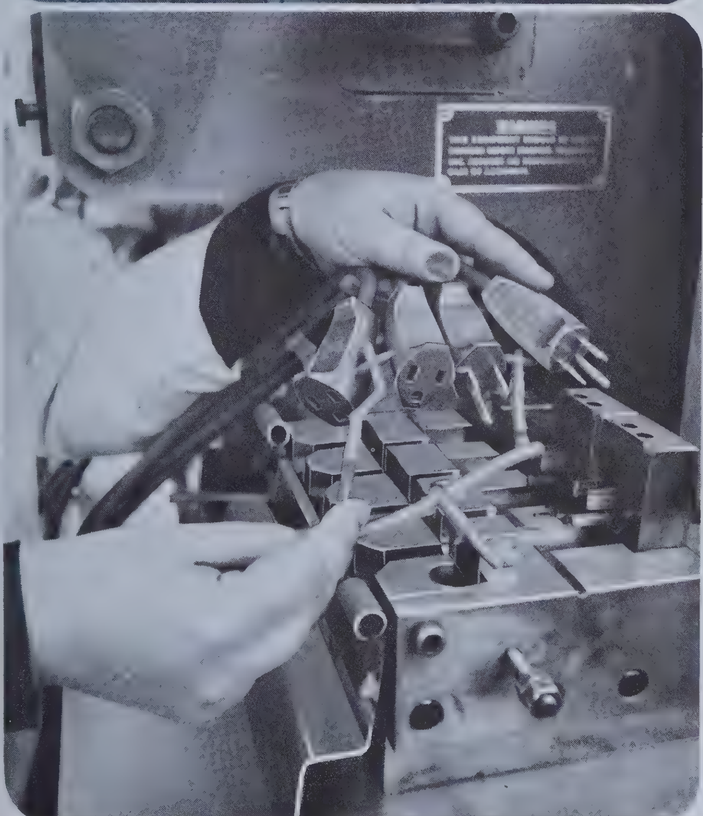
13. Remuneration of directors and senior officers

The aggregate remuneration paid by the company and its subsidiaries to the directors and senior officers of the company was $193,626 (1972—$161,035).

14. Comparative figures

The 1972 comparative figures have been restated to conform with the 1973 presentation.

Operations 1973



As one of Canada's largest manufacturers of flexible electric wire products, Noma Industries conducts its activities through four distinct divisions, Noma Lites, Cable-Tech, Beck Electric and Beck Electric Manufacturing Inc., our U.S. subsidiary.

Noma Lites Division

Noma Lites has more consumer visibility than the other divisions of our company. Over 85 percent of its sales were sold for consumer use. The diverse product line includes Christmas lights; artificial Christmas trees; a full range of household cords for use on garden tools, power tools, ranges, dryers, lamps, etc—all carrying the Noma insignia.

Sales of household cords continued to show healthy increases. The growth in demand for this product and other accessories offers promising prospects for the generation of future sales. In addition sales to Original Equipment Manufacturers (O.E.M.), who incorporate Noma cords into the electrical appliances they make, increased considerably during 1973. Here again the opportunities for development of future business are excellent. Sales of Christmas and other decorative lighting products are still showing satisfactory growth.

Noma Lites electrical products are manufactured and warehoused in a company-owned 193,000-square-foot plant located in Metro Toronto. This plant is equipped with the most up-to-date injection moulding machines, high speed presses and other machines required to produce cord sets efficiently.

Artificial trees are manufactured at a 32,000-square-foot Noma Displays plant located in Metro Toronto. Demand for our trees required us to expand this plant recently.

Cord sets are manufactured on modern injection moulding equipment at Noma Lites division in Scarborough, Ont.

Cable-Tech's Stouffville plant manufactures an extensive line of insulated copper wire products.

Wiring harnesses are manufactured by Beck Electric to the rigid specifications of major manufacturers of electrical products.

Cable-Tech Division

Cable-Tech manufactures and distributes an extensive line of wire products of copper and tinned copper in a wide range of sizes, which are insulated with rubber, neoprene, plastic and fibre glass.

One-third of the division's sales are to O.E.M. customers in the electrical and automotive industries. The remainder of its sales are to its sister divisions. The prospects for future sales growth are particularly attractive for this division.

Cable-Tech's manufacturing operations are located at a 55,000-square-foot company-owned plant in Stouffville, Ontario near Toronto. Details were recently announced with regard to a 90,000-square-foot addition to this plant to be completed by mid-1974. The company owns sufficient contiguous land to allow still further expansion in the future. Costs of the plant addition and equipment will approximate $1.5 million and are to be financed by internally generated funds and normal mortgage arrangements.

The operations of Cable-Tech are capital intensive. A large percentage of Noma Industries capital program is concentrated in this division.

Beck Electric Division

The Beck Electric division manufactures and sells a wide range of wiring harnesses, wire assembly units and custom wire products manufactured to specification. All of its production is sold as components or sub-assemblies to O.E.M. customers making household appliances, computers, etc.

Space for Beck Electric manufacturing facilities was increased from 21,000 square feet to 49,000 square feet during the year in a move to new quarters. The division is now located in a modern plant in Metro Toronto. In the latter part of 1973, this divi-

sion acquired sufficient equipment to support greatly increased volume and sales thus far in 1974 are over double those of last year.

We were very gratified that the majority of our employees made the move to the new location and there were relatively few dislocations in our production schedule.

Beck Electric Manufacturing Inc.
Our 80-percent-owned U.S. subsidiary, Beck Electric Manufacturing Inc. had a good year in terms of operations. Sales, in this its second year, increased about fifty percent, and in fact, prior to the U.S. government's imposition of power restrictions its entire production for 1974 was sold out.

Beck Electric Manufacturing Inc. operates in a 60,000-square-foot plant located in Stamford, Connecticut. Most of their product line of Christmas and decorative lighting and accessories is sold to other manufacturers.

The effects of the government's power edict on this subsidiary's sales were not felt last year. However, the restrictions on lighting use created considerable inventory carry-overs in the hands of its customers. The fact that these carry-overs will influence our sales of Christmas lighting in the U.S. this year must be confronted. The U.S. restriction on the use of outdoor Christmas lighting has now been lifted but we do not anticipate the effects of its lifting to be apparent in our operations until 1975.

In 1973 this subsidiary acquired a line of production equipment allowing it to produce wire. This will enable Beck Electric Manufacturing Inc. greater latitude in its diversification into non-seasonal electrical products.

Corporate Directory

NOMA
INDUSTRIES
LIMITED

Directors

Mrs. Theresa Beck
*H. Thomas Beck
Rudolph A. Koehler
*Donald Rafelman, Vice-President, Sunshine Uniform Supply Company Limited
*Andrew Wedd, President, Andrew Wedd & Co. Limited

*Member of the audit committee

Officers

Mrs. Theresa Beck, Chairman of the Board
H. Thomas Beck, President and Chief Executive Officer
Rudolph A. Koehler, Executive Vice-President, and Secretary.
Mark S. Waldman, Treasurer
Meinrad C. Meerkamper, Controller

Head Office

375 Kennedy Road
Scarborough, Ontario M1K 2A3

Operating Divisions and Subsidiaries

Noma Lites Canada Limited
Scarborough, Ontario
H. Thomas Beck, President

Cable-Tech Wire Company Limited
Stouffville, Ontario
Siegfried Riemer, President

Beck Electric Manufacturing, Inc.
Stamford, Connecticut
Seymour Jeruss, President

Beck Electric Manufacturing Company
Downsview, Ontario
Ben Hoag, General Manager

Noma Displays Limited
Downsview, Ontario
Rolph Baumann, Manager

Auditors

Touche Ross & Co., Toronto

Transfer Agent & Registrar

Montreal Trust Company

Stock Listing

Toronto Stock Exchange
Montreal Stock Exchange

Annual Meeting

The annual meeting of shareholders will be held on Friday, May 17, 1974 at 10:30 a.m. in the Royal York Hotel, Toronto

Noma Industries Limited

375 Kennedy Road
Scarborough, Ontario M1K 2A3